

ARTICLE APPEARED  
ON PAGE 39

TIME  
31 October 1983

# For Love of Money and Adventure

*The FBI cracks a case of missile secrets, a mole and a windfall*

If it were the plot of a Le Carré thriller, the story might be dismissed as a mass of melodramatic clichés. But it happened in real life, and as related in the flat legalistic prose of an FBI affidavit filed in federal court in San Francisco and from the account of a West Coast lawyer, it goes like this: An American engineer who already had sold some low-grade U.S. defense secrets to Polish intelligence marries an alcoholic secretary who has one thing he needs: a security clearance to handle truly valuable documents. Before the wedding, she lets her husband-to-be into her office at a Silicon Valley defense subcontracting firm late at night and on weekends. He removes masses of papers and photocopies them in her modest two-bedroom, one-bath apartment near by. In June 1980, he flies to Warsaw with his hottest copies.

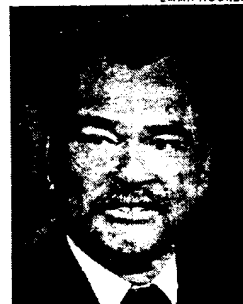
Water seeped into the papers while they were stashed away by the engineer-spy, so the pages are wet and stuck together. A team of Polish technicians works through the night to clean them up. The next day, 20 KGB agents who fly in from Moscow to inspect the documents at the Soviet embassy in Warsaw cannot contain their excitement: the papers provide details of a U.S. research-and-development project to protect the Minuteman arsenal from destruction by a Soviet nuclear strike. KGB Chief (now Soviet President) Yuri Andropov personally signs a letter of commendation to the Polish officials orchestrating the deal, who summon the American engineer back to Poland in September for his payment. The spy gets a thousand \$100 bills stuffed into an envelope. Later payments bring the sum to more than \$250,000.

The spy socks away his money, partly in banks in the Cayman Islands, and lives quietly in the apartment in Mountain View, Calif. But in September 1981, he seeks out an American attorney and arranges to meet him in a piano bar called The Fling. Identifying himself only as "Jay," the engineer starts telling his story over Bloody Marys and proposes a deal: if the attorney, William Dougherty, can win a promise of immunity from the U.S. Government, the engineer will turn double agent and pass information on Polish-KGB espionage to the American CIA.

Dougherty contacts CIA authorities about Jay, but it turns out they already

know part of the story. A mole in Polish intelligence has told them about the sale of Minuteman secrets by "an American businessman." The CIA puts questions to Jay through Attorney Dougherty and receives answers that dovetail with the mole's account. Following up clues provided by the mole and unwittingly corroborated by Dougherty, the FBI comes up with a name for Jay: James Durward Harper Jr.

The FBI secures a court order to tap Harper's telephone. Unable to win immunity, Harper makes remarks to friends, overheard by FBI agents, indicating that he is about to return to Poland and



Principals in the tale: James Harper, top, the late Ruby Schuler, and William Hugle; the Palo Alto offices of Systems Control from which secrets were stolen

sell an additional 150 lbs. or so of copied documents he still has stashed away. On Oct. 15, Harper is arrested; it is only two days later that Attorney Dougherty learns from the FBI the real name of his client Jay.

Enough cloak-and-dagger skuldugery? Wait, there may be more. Harper is being held without bail for a hearing Oct. 27. If convicted of espionage, he faces life imprisonment. If Harper talks some more, the big question is what he might say about William B. Hugle, an engineer-businessman in his late 50s who founded several Silicon Valley electronics firms.

Hugle is named in the FBI affidavit as the man who first introduced Harper to Polish intelligence officials and was cut in on a deal under which Hugle allegedly was to get a third of the money paid by the Poles for the theft of U.S. defense secrets (the Poles, however, according to the affi-

davit, later told Harper they would prefer to bypass Hugle and deal with Harper directly). Attorney Dougherty says that Harper has been "scared to death that Hugle would kill him." Hugle has been charged with nothing; he is testifying before a grand jury in the San Francisco area but has been silent publicly. The other principal in the tale, Harper's second wife Ruby Louise Schuler, died in June of cirrhosis of the liver.

Harper, when he appeared in federal court in San Francisco last week, cut an appropriately nondescript figure. He is 49, about 5 ft. 10 in., has thinning brown hair that curls into gray sideburns, and displays a paunch. He is an electrical engineer who does mostly freelance work. Dougherty describes him as the kind of spy who is motivated by a simple desire for "money and adventure."

According to the FBI affidavit, Harper in 1975 was introduced by Hugle, whom he called "the Big Man," to Polish intelli-

gence officials. Hugle is described by one associate as "a good guy at putting deals together." The Poles had a portion of a "shopping list" of secrets that the Soviet KGB wanted, and still wants, to buy. The master list is said never to leave Moscow. Harper in 1975 turned over items of U.S. technological information. But they apparently were relatively minor: he was paid no more than \$7,500 for them.

Harper seemingly let his Polish contacts lie fallow for four years. One reason may have been that he lacked a security clearance. In 1978, however, he separated from his first wife Colleen, whom he eventually divorced, and in 1980 he married Schuler, then 36, whom he later described to friends as an alcoholic and anorectic. Despite those problems, Schuler, who was divorced and childless, worked as a secretary at Systems Control, Inc., a company involved in research for the U.S. Air Force's missile program. She had a "se-

CONTINUED

cret" security clearance. Shortly before her death, in a telephone conversation with a friend that FBI agents listened in on, she said: "There was a reason that Jim and I got married that only he and I know. I can't tell you or anyone else, and I never will."

By 1979, the FBI reported, Harper and Hugle were in contact with a Pole whom Harper knew by the code name of "the Minister." His real name is Zdzislaw Prychodzien. According to the mole, he is an official of the Polish Ministry of Machine Industry, but actually is an operative of the Polish intelligence agency, SB, which works closely with the Soviet KGB. They met in October 1979 in an apartment in Vienna that, the FBI affidavit quotes Harper as saying, "the Big Man [Hugle] assured us was not bugged." Harper handed over a 1-in. stack of papers consisting of the title pages, tables of contents and first chapters of documents he had copied, as a kind of sample of what he had to sell. After ascertaining that the KGB would pay handsomely for the actual documents, the Pole invited Harper to the meeting in Warsaw in June 1980.

Back in the U.S., Harper and Schuler continued to live modestly. Whatever his motive in contacting Dougherty—repentance, fear, a desire to raise the stakes by playing double agent, or some mixture of all three—he picked the attorney's name out of a book that correctly identified Dougherty as having represented Christopher Boyce, who was convicted of selling secrets to the Soviets.

Harper seems never to have realized that the FBI was closing in on him. In telephone conversations overheard by FBI agents on his tapped phone, he bragged indiscreetly to friends that he had enough money so that he would never have to



Dougherty

work another day in his life, and moreover that he paid no taxes on his wealth. He also spoke of going back to Europe to attend to "two very serious business problems . . . I've been putting off for damn near two years." The trip, which federal agents presume was designed to sell more secrets, apparently was delayed by a new romance: after Schuler died, Harper in September married Penny Cook in Nevada. Still, the feds were nervous and moved in to make the arrest.

A good deal of damage, however, had been done. The FBI affidavit asserts that Harper had access to documents that would give the Poles and the KGB "a windfall of intelligence information about the capabilities of our strategic forces and our present and future plans to defend them." Their value: "beyond calculation."

—By George J. Church.

Reported by Dick Thompson/San Francisco